

EMINENCE INDEPENDENT SCHOOL DISTRICT

ANNUAL REPORT

JUNE 30, 2014



CPAS / CONSULTANTS

EMINENCE INDEPENDENT SCHOOL DISTRICT

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INDEPENDENT AUDITORS' REPORT

State Committee for School District Audits
Members of the Board of Education of
Eminence Independent School District

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Eminence Independent School District as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the audit requirements prescribed by the Kentucky State Committee for School District Audits in *Appendix I of the Independent Auditor's Contract – General Requirements*, *Appendix II of the Independent Auditor's Contract – State Audit Requirements*, and *Appendix III of the Independent Auditor's Contract – Electronic Submission*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

State Committee for School District Audits
Members of the Board of Education
Eminence Independent School District

Auditor's Responsibility (continued)

An audit includes performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Eminence Independent School District as of June 30, 2014, and the respective changes in financial position and where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis and budgetary comparison information on pages 9 through 12 and pages 19 through 20 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of

State Committee for School District Audits
Members of the Board of Education
Eminence Independent School District

Other Matters (continued)

Required Supplementary Information (continued)

preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express any opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The combining nonmajor fund financial statements, schedule of expenditures of federal awards, as required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*, and additional information are presented for the purposes of additional analysis and are not a required part of the basic financial statements.

The combining nonmajor fund financial statements, schedule of expenditures of federal awards, as required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*, and additional information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining nonmajor fund financial statements, schedule of expenditures of federal awards, as required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*, and additional information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

State Committee for School District Audits
Members of the Board of Education
Eminence Independent School District

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 13, 2014 , on our consideration of the Eminence Independent School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and in considering Eminence Independent School District's internal control over financial reporting and compliance. In addition, the results of our tests disclosed no instances of noncompliance of specific state statutes or regulations identified in *Appendix II of the Independent Auditor's Contract – State Audit Requirements*.

Amick & Company

Louisville, Kentucky
November 13, 2014

**EMINENCE INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
UNAUDITED**

This section of Eminence Independent School District's annual financial report presents management's narrative overview (discussion and analysis) of the District's financial performance during the fiscal year ended June 30, 2014. We encourage readers to consider the information presented here in conjunction with additional information found within the body of the audit.

MASTERY MODEL OF COLLEGE AND CAREER READINESS

- Systemic ICE (Interventions, Connections, and Enrichments)
- Grading Scale of "B or Better" for passing grade
- Standards Based Reporting and Grading with comprehensive systems of competencies
- Exemplars of Eminence Excellence which define an Eminence Degree from K-12
- Defense Panels for Graduation (K, 5, 8, 12)
- BE Ready (Early College allows an Associate's Degree of On-Site College Experiences)
- Master Schedule Redesign (Core Classes on MWF and ICE on TRs)
- Personalized Progressions for students per level of Mastery, Interests, Learning Style, etc.)
- Embedded Industrial Certificate Opportunity for all students into their Core Classes

STUDENT AGENCY

- VOICE (Vision Of Innovative Classroom Excellence Teams (Teacher and Student)
- Student D.N.A. (Digital Narrative Albums) Cloud-Based Rich Data Model
- Student Voice Surveys, Student Designed Courses, Student Led Course, Student Led PD, etc.
- Advisor / Advisee Advocates (one assigned to every student)
- SPARC Teams (Student Parent Advisor Readiness Councils) Success Teams
- Interest Based Lessons aligned to students SPARC, Career Interests, Hobbies, Skills, etc.
- Official Student SBDM (Site Based Decision Members) with full voting privileges
- Tens of Thousands of Dollars raised for Philanthropy and 1000s of hours annually (K-12)

NEXT GENERATION SKILLS

- ACES (1:1 Initiative) Varied for K-2; MacBook Pro for Grades 3-12
- Student Performance Bases Assessments and Change the Day Challenges
- Next Generation Skills Continuum for Grades K-12
- Design Thinking employed at all Grades (Harvard D-School Framework)
- Students master 100s of Web 2.0 Tools while creating a portfolio of their evidence of mastery
- Modeling Strategies - Teachers in PD and All Meetings
- Personalized PD for Teachers - State's 1st Wifi Bus - Created a Virtual School
- Flipped Classrooms / Blended Learning / Personalized-Adaptive Math&ELA Lessons (K-12)
- District-Wide Learning Management System / State Provided Student Information System
- Cafeteria serves as a Next Generation Collaboration Lab
- Unlock Nicaragua - Model Site of Embedded Core Standards through Project Based Learning
- Designing a Core Competency Collector and Dashboard (CoCoA) App

SURPRISE AND DELIGHT

- Systemically Embed SAD into every lesson for the entire organization
- Employ Foundational Belief in "Yes, And" Thinking
- Utilize the Fun Theory to gain staff / student buy-in
- Redesigned, Reimagined PD with all staff titles of E-magineers
- Monitor FUN and SAD on walk-throughs and incentivize SAD
- Alternate Pay Scale - Only District in Kentucky to have two pay scales
- Edhub (Experimental DaVinci Hybrid Ultra Bibliotech) 30,000 sq. ft. addition allows Philosophy = Facility

**EMINENCE INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
UNAUDITED**

The District-wide financial statements outline functions of the District that are principally supported by property taxes and intergovernmental revenues (government activities). The governmental activities of the District include instruction, support services, operation and maintenance of plant, and operation of non-instructional services. Taxes and intergovernmental revenues also support fixed assets and related debt.

The District-wide financial statements can be found on pages 13 and 14.

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. This is a state mandated uniform system and chart of accounts for all Kentucky public school districts utilizing the MUNIS administrative software. The District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into three categories: governmental, proprietary and fiduciary funds. Fiduciary funds are trust funds established by benefactors to aid in student education, welfare and teacher support. The only proprietary funds are our day care program, and food service operations. All other activities of the district are included in the governmental funds.

The basic governmental fund financial statements can be found on pages 15 and 17.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

The notes to the financial statements can be found on pages 25 through 42.

DISTRICT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of a government's financial position. In the case of the District, assets exceeded liabilities by \$4,198,088 as of June 30, 2014.

A portion of the District's net position reflects its investment in capital assets (e.g., land and improvements, buildings and improvements, technology and general equipment), less any related debt used to acquire those assets that is still outstanding. The District used these capital assets to provide services to its students; consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

**EMINENCE INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
UNAUDITED**

The District's financial position is the product of several financial transactions including the net results of activities, the acquisition and payment of debt, the acquisition of capital assets, and the depreciation of capital assets.

	<u>For the year ended June 30</u>	
	<u>2014</u>	<u>2013</u>
Current Assets	\$ 1,721,158	\$ 1,570,650
Noncurrent Assets	<u>5,601,052</u>	<u>5,125,076</u>
Total Assets	\$ <u>7,322,210</u>	\$ <u>6,695,726</u>
Current Liabilities	\$ 514,435	\$ 338,971
Non-current Liabilities	<u>2,609,687</u>	<u>2,443,237</u>
Total Liabilities	<u>3,124,122</u>	<u>2,782,208</u>
Net Position		
Investment in capital assets (net of debt)	2,772,311	2,489,419
Restricted – Nonspendable	2,497	180,799
Unreserved Fund Balance	<u>1,423,280</u>	<u>1,243,300</u>
Total Net Position	<u>4,198,088</u>	<u>3,913,518</u>
Total Liabilities and Net Position	\$ <u>7,322,210</u>	\$ <u>6,695,726</u>

Comments on Budget Comparisons

- The District's total General Fund revenues for the fiscal year ended June 30, 2014, net of on-behalf payments were \$4,249,922.
- General fund budget compared to actual revenue (net of on-behalf payments) varied from line item to line item with the ending actual balance being \$307,847 more than budgeted.
- General fund budget expenditures to actual expenditures (net of on-behalf payments) varied from line item to line item with the actual balance being \$794,061 less than budgeted.
- Revenues exceeded expenditures with the actual balance being \$126,433 for a favorable result.

The following table presents a summary of General Fund revenue and expense.

	<u>For the year ended June 30</u>	
	<u>2014</u>	<u>2013</u>
Revenues:		
Local revenue sources	\$ 1,206,876	\$ 1,197,181
State revenue sources	3,984,115	3,562,497
Federal revenue sources	<u>8,324</u>	<u>8,685</u>
Total Revenues	\$ <u>5,199,315</u>	\$ <u>4,768,363</u>

**EMINENCE INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
UNAUDITED**

	<u>2014</u>	<u>2013</u>
Expenses:		
Instruction	\$ 3,174,673	\$ 3,044,175
Student support services	103,606	91,911
Instructional support	201,658	194,132
District administration	408,533	399,397
School administration	361,081	347,231
Business support	123,427	99,288
Student transportation	191,251	175,052
Plant operations and maintenance	759,000	486,002
Debt service	<u>24,817</u>	<u>46,098</u>
Total Expenses	\$ <u>5,348,046</u>	\$ <u>4,883,286</u>
Total Transfers – Net	\$ <u>275,165</u>	\$ <u>103,360</u>
Revenue in Excess of Expenditures	\$ <u>126,434</u>	\$ <u>(11,563)</u>

BUDGETARY IMPLICATIONS

In Kentucky the public school fiscal year is July 1 – June 30; other programs, i.e. some federal programs operate on a different fiscal calendar, but are reflected in the district overall budget. By law the budget must have a minimum 2% contingency. The district adopted a budget with \$269,861 in contingency. The beginning cash balance for the next fiscal year is \$1,584,333.

Many of the program grants are continuation programs that we have become reliant on to service our students. However, decreases in grants and state funding along with the added burden of health insurance costs and matching retirement for employees have significantly reduced the dollars available for teacher salaries and other program support.

Questions regarding this report should be directed to Buddy Berry, Superintendent, or to Darlene Bates, Finance Officer, at 502-845-4788, Darlene.Bates@Eminence.kyschools.us or by mail at 291 West Broadway, Eminence, KY 40019.

EMINENCE INDEPENDENT SCHOOL DISTRICT

Statement of Net Position

June 30, 2014

	GOVERNMENTAL ACTIVITIES	BUSINESS - TYPE ACTIVITIES	TOTAL
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	\$ 1,556,731	\$ 27,602	\$ 1,584,333
Accounts receivable			
Taxes - current	17,222	-	17,222
Other	101,884	9,836	111,720
Inventories	<u>-</u>	<u>7,883</u>	<u>7,883</u>
Total Current Assets	<u>1,675,837</u>	<u>45,321</u>	<u>1,721,158</u>
CAPITAL ASSETS			
Capital assets	8,679,784	98,160	8,777,944
Less accumulated depreciation	<u>(3,132,723)</u>	<u>(46,666)</u>	<u>(3,179,389)</u>
Total Capital Assets	<u>5,547,061</u>	<u>51,494</u>	<u>5,598,555</u>
TOTAL ASSETS	<u>\$ 7,222,898</u>	<u>\$ 96,815</u>	<u>\$ 7,319,713</u>
DEFERRED OUTFLOW OF RESOURCES			
Debt issuance costs, net	<u>\$ 2,497</u>	<u>\$ -</u>	<u>\$ 2,497</u>
TOTAL DEFERRED INOUTFLOW OF RESOURCES	<u>\$ 2,497</u>	<u>\$ -</u>	<u>\$ 2,497</u>
LIABILITIES AND NET POSITION			
CURRENT LIABILITIES			
Accounts payable	\$ 144,126	\$ 446	\$ 144,572
Cash overdraft	26,114	-	26,114
Current portion of bonds payable	251,049	-	251,049
Current portion of capital lease payable	85,914	-	85,914
Current portion of accrued sick leave	<u>6,786</u>	<u>-</u>	<u>6,786</u>
Total Current Liabilities	<u>513,989</u>	<u>446</u>	<u>514,435</u>
NONCURRENT LIABILITIES			
Bonds payable	2,317,453	-	2,317,453
Capital lease payable	171,828	-	171,828
Noncurrent portion of accrued sick leave	<u>59,778</u>	<u>-</u>	<u>59,778</u>
Total Noncurrent Liabilities	<u>2,549,059</u>	<u>-</u>	<u>2,549,059</u>
TOTAL LIABILITIES	<u>\$ 3,063,048</u>	<u>\$ 446</u>	<u>\$ 3,063,494</u>
DEFERRED INFLOW OF RESOURCES			
Deferred grant revenue	<u>\$ 60,628</u>	<u>\$ -</u>	<u>\$ 60,628</u>
TOTAL DEFERRED INOUTFLOW OF RESOURCES	<u>\$ 60,628</u>	<u>\$ -</u>	<u>\$ 60,628</u>
NET POSITION			
Investment in capital assets, net of related debt	\$ 2,720,817	\$ 51,494	\$ 2,772,311
Restricted - Nonexpendable	2,497	-	2,497
Unrestricted	<u>1,378,405</u>	<u>44,875</u>	<u>1,423,280</u>
TOTAL NET POSITION	<u>\$ 4,101,719</u>	<u>\$ 96,369</u>	<u>\$ 4,198,088</u>

The accompanying notes are an integral part of these financial statements.

EMINENCE INDEPENDENT SCHOOL DISTRICT

Statement of Activities
District Wide
For the year ended June 30, 2014

FUNCTIONS/PROGRAMS	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental Activities							
Instruction	\$ 3,689,394	\$ -	\$ 927,805	\$ -	\$ (2,761,589)	\$ -	\$ (2,761,589)
Support Services:							
Student	103,606	-	-	-	(103,606)	-	(103,606)
Instruction staff	241,864	-	-	-	(241,864)	-	(241,864)
District Administrative	486,586	-	-	-	(486,586)	-	(486,586)
School Administrative	361,081	-	-	-	(361,081)	-	(361,081)
Business	125,554	-	-	-	(125,554)	-	(125,554)
Student transportation	203,040	-	-	-	(203,040)	-	(203,040)
Community service	53,332	-	-	-	(53,332)	-	(53,332)
Plant operation and maintenance	486,501	-	-	-	(486,501)	-	(486,501)
Interest on long-term debt	85,920	-	149,446	-	63,526	-	63,526
Depreciation and amortization	331,164	-	-	-	(331,164)	-	(331,164)
Total Governmental Activities	<u>6,168,042</u>	<u>-</u>	<u>1,077,251</u>	<u>-</u>	<u>(5,090,791)</u>	<u>-</u>	<u>(5,090,791)</u>
Business-type Activities							
Food service	404,529	131,803	251,514	-	-	(21,212)	(21,212)
Day care	-	-	-	-	-	-	-
Total Business-type Activities	<u>404,529</u>	<u>131,803</u>	<u>251,514</u>	<u>-</u>	<u>-</u>	<u>(21,212)</u>	<u>(21,212)</u>
Total School District	<u>\$ 6,572,571</u>	<u>\$ 131,803</u>	<u>\$ 1,328,765</u>	<u>\$ -</u>	<u>\$ (5,090,791)</u>	<u>\$ (21,212)</u>	<u>\$ (5,112,003)</u>
General Revenues							
Property taxes					\$ 999,469	\$ -	\$ 999,469
Delinquent property tax					23,945	-	23,945
Motor vehicle taxes					90,640	-	90,640
Utilities tax					200,841	-	200,841
Investment earnings					2,019	27	2,046
State and formula grants					3,992,439	45,702	4,038,141
Miscellaneous					89,942	-	89,942
Loss on sale of assets					(1,665)	-	(1,665)
Transfers					-	-	-
Total General Revenues and Transfers					<u>5,397,630</u>	<u>45,729</u>	<u>5,443,359</u>
Change in Net Position					306,839	24,517	331,356
Net Position - Beginning					3,841,666	71,852	3,913,518
Prior period adjustment					(46,786)	-	(46,786)
Net Position - Ending					<u>\$ 4,101,719</u>	<u>\$ 96,369</u>	<u>\$ 4,198,088</u>

The accompanying notes are an integral part of these financial statements.

EMINENCE INDEPENDENT SCHOOL DISTRICT

Balance Sheet Governmental Funds June 30, 2014

	<u>GENERAL FUND</u>	<u>SPECIAL REVENUE FUND</u>	<u>OTHER GOVERNMENTAL FUNDS</u>	<u>TOTAL GOVERNMENTAL FUNDS</u>
ASSETS AND RESOURCES				
Cash and cash equivalents	\$ 1,427,569	\$ -	\$ 129,162	\$ 1,556,731
Accounts receivable				
Taxes - current	17,222	-	-	17,222
Intergovernmental - State	-	-	-	-
Intergovernmental - Federal	-	79,896	-	79,896
Other	<u>15,142</u>	<u>6,846</u>	<u>-</u>	<u>21,988</u>
TOTAL ASSETS	<u>\$ 1,459,933</u>	<u>\$ 86,742</u>	<u>\$ 129,162</u>	<u>\$ 1,675,837</u>
LIABILITIES				
Accounts payable	\$ 66,073	\$ -	\$ -	\$ 66,073
Cash overdraft	-	26,114	-	26,114
Current portion of accumulated sick leave	6,786	-	-	6,786
Due to other funds	-	-	-	-
Deferred revenue	<u>-</u>	<u>60,628</u>	<u>-</u>	<u>60,628</u>
Total Liabilities	<u>72,859</u>	<u>86,742</u>	<u>-</u>	<u>159,601</u>
FUND BALANCES				
Restricted	-	-	129,162	129,162
Unassigned	<u>1,387,074</u>	<u>-</u>	<u>-</u>	<u>1,387,074</u>
Total Fund Balances	<u>1,387,074</u>	<u>-</u>	<u>129,162</u>	<u>1,516,236</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 1,459,933</u>	<u>\$ 86,742</u>	<u>\$ 129,162</u>	<u>\$ 1,675,837</u>

The accompanying notes are an integral part of these financial statements.

EMINENCE INDEPENDENT SCHOOL DISTRICT

Reconciliation of the Balance Sheet - Governmental Funds
To the Statement of Net Position
June 30, 2014

Total fund balance per fund financial statements	\$	1,516,236
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets are not reported in this fund financial statement because they are not current financial resources, but they are reported in the statement of net position		
Total cost of capital assets	8,679,784	
Accumulated depreciation	<u>(3,132,723)</u>	5,547,061
Certain other assets are not reported in this fund financial statement because they are not available to pay current period expenditures, but are reported in the statement of net position		
Bond Issuance costs		2,497
Certain liabilities (such as bonds payable, the long-term portion of accrued sick leave, and accrued interest) are not reported in this fund financial statement because they are not due and payable, but they are presented in the statement of net position		
Accrued KSBIT liability	(78,053)	
Bonds payable	(2,568,502)	
Capital lease payable	(257,742)	
Long term portion of accrued sick leave	<u>(59,778)</u>	<u>(2,964,075)</u>
Net position for governmental activities	\$	<u>4,101,719</u>

The accompanying notes are an integral part of these financial statements.

EMINENCE INDEPENDENT SCHOOL DISTRICT

Statement of Revenue, Expenditures And Changes in Fund Balances Governmental Funds For the Year Ended June 30, 2014

	GENERAL FUND	SPECIAL REVENUE FUNDS	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
REVENUES				
From local sources:				
Taxes:				
Property	\$ 865,300	\$ -	\$ 158,114	\$ 1,023,414
Motor Vehicles	90,640	-	-	90,640
Utilities	200,841	-	-	200,841
Tuition and fees	-	-	-	-
Earnings on investments	2,000	19	-	2,019
Student activities	-	-	-	-
Other local revenues	48,095	41,847	-	89,942
Intergovernmental - State	3,984,115	219,414	377,785	4,581,314
Intergovernmental - Indirect Federal	8,324	480,052	-	488,376
TOTAL REVENUES	<u>5,199,315</u>	<u>741,332</u>	<u>535,899</u>	<u>6,476,546</u>
EXPENDITURES				
Current:				
Instruction	3,174,673	644,018	-	3,818,691
Support Services				
Student	103,606	-	-	103,606
Instructional staff	201,658	40,206	-	241,864
District administration	408,533	-	-	408,533
School administration	361,081	-	-	361,081
Business	123,427	2,127	-	125,554
Student transportation	191,251	11,476	-	202,727
Community service	-	53,332	-	53,332
Plant operations and maintenance	759,000	-	-	759,000
Facilities acquisition and construction	-	-	8,866	8,866
Debt service	24,817	-	280,208	305,025
Other	-	-	-	-
TOTAL EXPENDITURES	<u>5,348,046</u>	<u>751,159</u>	<u>289,074</u>	<u>6,388,279</u>
EXCESS (DEFICIT) OF REVENUES OVER EXPENDITURES	<u>(148,731)</u>	<u>(9,827)</u>	<u>246,825</u>	<u>88,267</u>
OTHER FINANCING SOURCES (USES)				
Operating transfers in	284,992	9,827	130,762	425,581
Operating transfers out	(9,827)	-	(415,754)	(425,581)
TOTAL OTHER FINANCING SOURCES (USES)	<u>275,165</u>	<u>9,827</u>	<u>(284,992)</u>	<u>-</u>
EXCESS (DEFICIT) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	126,434	-	(38,167)	88,267
FUND BALANCE JULY 1, 2013	1,267,426	-	167,329	1,434,755
Prior Period Adjustment	(6,786)	-	-	(6,786)
FUND BALANCE JUNE 30, 2014	<u>\$ 1,387,074</u>	<u>\$ -</u>	<u>\$ 129,162</u>	<u>\$ 1,516,236</u>

The accompanying notes are an integral part of these financial statements.

EMINENCE INDEPENDENT SCHOOL DISTRICT

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Net Activities

June 30, 2014

Net change in total fund balances per fund financial statements	\$	88,267
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Amounts reported for governmental activities in the statement
of activities are different because:

Capital outlays are reported as expenditures in this fund financial statement because they use current financial resources, but they are presented as assets in the statement of activities and depreciated over their estimated economic lives. The difference is the amount by which capital outlays exceeds depreciation expense for the year.

Capital outlay	350,148	
Depreciation expense	<u>(331,164)</u>	18,984

Bond and capital lease payments are recognized as expenditures of current financial resources in the fund financial statement but are reductions of liabilities in the statement of net position.

Principal on bond payments	222,202	
Principal on capital lease payments	<u>85,914</u>	<u>308,116</u>

Certain increases (decreases) in noncash activities are reported as expenditures in the statement of activities because they may require the use of current financial resources

Loss on retirement of assets	(1,665)	
Accrued KSBIT liability	(78,053)	
Accrued compensated absences	<u>(28,810)</u>	<u>(108,528)</u>

Change in net position of governmental activities	\$	<u>306,839</u>
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The accompanying notes are an integral part of these financial statements.

EMINENCE INDEPENDENT SCHOOL DISTRICT

Statement of Revenues, Expenditures and Changes in Fund Balance

Budget and Actual

General Fund

For the Year Ended June 30, 2014

	BUDGETED AMOUNTS		ACTUAL	VARIANCE WITH FINAL BUDGET FAVORABLE (UNFAVORABLE)
	ORIGINAL	FINAL		
REVENUES				
From local sources:				
Taxes:				
Property	\$ 644,500	\$ 691,590	\$ 865,300	\$ 173,710
Motor vehicles	65,000	65,000	90,640	25,640
Utilities	105,000	120,000	200,841	80,841
Earnings on investments	3,000	2,500	2,000	(500)
Other local revenues	21,000	15,000	48,095	33,095
Intergovernmental - State	2,794,430	3,040,985	3,984,115	943,130
Intergovernmental - Federal	7,000	7,000	8,324	1,324
TOTAL REVENUES	3,639,930	3,942,075	5,199,315	1,257,240
EXPENDITURES				
Current:				
Instruction	2,514,321	2,647,183	3,174,673	527,490
Support Services				
Student	146,744	116,052	103,606	(12,446)
Instructional staff	224,991	248,009	201,658	(46,351)
District administration	470,580	497,643	408,533	(89,110)
School administration	288,935	293,664	361,081	67,417
Business	86,723	86,723	123,427	36,704
Plant operations and maintenance	551,798	747,716	759,000	11,284
Student transportation	237,511	249,047	191,251	(57,796)
Facilities acquisition and construction	-	-	-	-
Debt service	36,817	36,817	24,817	(12,000)
Contingency	308,965	269,861	-	(269,861)
TOTAL EXPENDITURES	4,867,385	5,192,715	5,348,046	155,331
EXCESS (DEFICIT) OF REVENUES OVER EXPENDITURES	(1,227,455)	(1,250,640)	(148,731)	1,101,909
OTHER FINANCING SOURCES (USES)				
Operating transfers in	-	-	284,992	284,992
Operating transfers out	(10,000)	(10,000)	(9,827)	173
TOTAL OTHER FINANCING SOURCES (USES)	(10,000)	(10,000)	275,165	285,165
EXCESS (DEFICIT) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	(1,237,455)	(1,260,640)	126,434	1,387,074
FUND BALANCE JULY 1, 2013	1,237,455	1,260,640	1,260,640	-
FUND BALANCE JUNE 30, 2014	\$ -	\$ -	\$ 1,387,074	\$ 1,387,074

EXPLANATION OF DIFFERENCES BETWEEN BUDGETARY INFLOWS AND OUTFLOWS AND GAAP REVENUES AND EXPENDITURES

Both inflows and outflows are equally different in the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds by the amount of on-behalf payments totaling \$949,393.

The accompanying notes are an integral part of these financial statements.

EMINENCE INDEPENDENT SCHOOL DISTRICT

Statement of Revenues, Expenditures and Changes in Fund Balance

Budget and Actual

Special Revenue Fund

For the Year Ended June 30, 2014

	BUDGETED AMOUNTS			VARIANCE WITH FINAL BUDGET FAVORABLE (UNFAVORABLE)
	<u>ORIGINAL</u>	<u>FINAL</u>	<u>ACTUAL</u>	
REVENUES				
From local sources:				
Taxes:				
Property	\$ -	\$ -	\$ -	\$ -
Motor vehicles	-	-	-	-
Utilities	-	-	-	-
Other	-	-	-	-
Tuition and fees	-	-	-	-
Earnings on investments	50	50	19	(31)
Student activities	-	-	-	-
Community service activities	-	-	-	-
Other local revenues	50,989	59,989	41,847	(18,142)
Intergovernmental - State	185,374	224,225	219,414	(4,811)
Intergovernmental - Indirect Federal	386,223	449,490	480,052	30,562
Intergovernmental - Federal	-	-	-	-
TOTAL REVENUES	<u>622,636</u>	<u>733,754</u>	<u>741,332</u>	<u>7,578</u>
EXPENDITURES				
Current:				
Instruction	523,591	626,565	644,018	17,453
Support Services				
Student	-	-	-	-
Instructional staff	49,520	47,785	40,206	(7,579)
District administration	-	-	-	-
School administration	-	-	-	-
Business	1,880	1,880	2,127	247
Student transportation	6,466	12,866	11,476	(1,390)
Community service activities	51,179	54,658	53,332	(1,326)
Plant operations and maintenance	-	-	-	-
Facilities acquisition and construction	-	-	-	-
Debt service	-	-	-	-
Other	-	-	-	-
TOTAL EXPENDITURES	<u>632,636</u>	<u>743,754</u>	<u>751,159</u>	<u>7,405</u>
EXCESS (DEFICIT) OF REVENUES OVER EXPENDITURES	<u>(10,000)</u>	<u>(10,000)</u>	<u>(9,827)</u>	<u>173</u>
OTHER FINANCING SOURCES (USES)				
Operating transfers in	10,000	10,000	9,827	(173)
Operating transfers out	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>10,000</u>	<u>10,000</u>	<u>9,827</u>	<u>(173)</u>
EXCESS (DEFICIT) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	-	-	-	-
FUND BALANCE JULY 1, 2013	-	-	-	-
FUND BALANCE JUNE 30, 2014	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

The accompanying notes are an integral part of these financial statements.

EMINENCE INDEPENDENT SCHOOL DISTRICT

Statement of Net Position

Proprietary Funds

June 30, 2014

	Food Service <u>Fund</u>	Day Care <u>Care</u>	Total Proprietary <u>Funds</u>
ASSETS			
Current Assets			
Cash and cash equivalents	\$ 27,602	\$ -	\$ 27,602
Accounts receivable	9,836	-	9,836
Inventories	<u>7,883</u>	<u>-</u>	<u>7,883</u>
Total current assets	<u>45,321</u>	<u>-</u>	<u>45,321</u>
Noncurrent Assets			
Capital assets	96,028	2,132	98,160
Less: Accumulated depreciation	<u>(44,534)</u>	<u>(2,132)</u>	<u>(46,666)</u>
Total noncurrent assets	<u>51,494</u>	<u>-</u>	<u>51,494</u>
Total assets	<u>\$ 96,815</u>	<u>\$ -</u>	<u>\$ 96,815</u>
LIABILITIES			
Current Liabilities			
Accounts payable	\$ <u>446</u>	\$ <u>-</u>	\$ <u>446</u>
Total current liabilities	<u>\$ 446</u>	<u>\$ -</u>	<u>\$ 446</u>
NET POSITION			
Invested in capital assets, net of related debt	\$ 51,494	\$ -	\$ 51,494
Unrestricted			
Unreserved	<u>44,875</u>	<u>-</u>	<u>44,875</u>
Total net position	<u>\$ 96,369</u>	<u>\$ -</u>	<u>\$ 96,369</u>

The accompanying notes are an integral part of these financial statements.

EMINENCE INDEPENDENT SCHOOL DISTRICT
Statement of Revenues, Expenses, and Changes in Net Position
Proprietary Funds
For the Year Ended June 30, 2014

	Food Service <u>Fund</u>	Day Care <u>Care</u>	Total Proprietary <u>Funds</u>
Operating Revenues			
Food service sales	\$ 131,803	\$ -	\$ 131,803
Other operating revenues	<u>-</u>	<u>-</u>	<u>-</u>
Total operating revenues	<u>131,803</u>	<u>-</u>	<u>131,803</u>
Operating Expenses			
Salaries and wages	183,996	-	183,996
Professional and contract services	25,902	-	25,902
Supplies and materials	210,758	-	210,758
Depreciation	6,335	-	6,335
Other operating expenses	<u>120</u>	<u>-</u>	<u>120</u>
Total operating expenses	<u>427,111</u>	<u>-</u>	<u>427,111</u>
Operating income (loss)	<u>(295,308)</u>	<u>-</u>	<u>(295,308)</u>
Nonoperating revenues (expenses)			
Federal grants	272,215	-	272,215
State on-behalf payments	47,583	-	47,583
Interest income	<u>27</u>	<u>-</u>	<u>27</u>
Total nonoperating revenues (expenses)	<u>319,825</u>	<u>-</u>	<u>319,825</u>
Net income (loss)	<u>24,517</u>	<u>-</u>	<u>24,517</u>
Total net position, July 1, 2013	71,852	-	71,852
Transfers out	<u>-</u>	<u>-</u>	<u>-</u>
Total net position, June 30, 2014	<u>\$ 96,369</u>	<u>\$ -</u>	<u>\$ 96,369</u>

The accompanying notes are an integral part of these financial statements.

EMINENCE INDEPENDENT SCHOOL DISTRICT

Statement of Cash Flows

Proprietary Funds

For the Year Ended June 30, 2014

	Food Service <u>Fund</u>	Day Care <u>Care</u>	Total Proprietary <u>Funds</u>
Cash Flows from Operating Activities			
Cash received from lunchroom sales	\$ 129,208	\$ -	\$ 129,208
Cash received from government grants	246,016	-	246,016
Cash received from other activities	-	-	-
Cash payments to employees for services	(136,413)	-	(136,413)
Cash payments to suppliers for goods and services	(216,712)	-	(216,712)
Cash payments for other operating activities	(120)	-	(120)
Net cash from operating activities	<u>21,979</u>	<u>-</u>	<u>21,979</u>
Cash Flows from Capital Financing Activities			
Capital contributions	-	-	-
Acquisition of capital assets	(6,300)	-	(6,300)
Net cash from capital financing activities	<u>(6,300)</u>	<u>-</u>	<u>(6,300)</u>
Cash Flows from Noncapital Financing Activities			
Transfers to other funds	-	-	-
Net cash from noncapital financing activities	<u>-</u>	<u>-</u>	<u>-</u>
Cash Flows from Investing Activities			
Interest on investments	27	-	27
Net cash flows from investing activities	<u>27</u>	<u>-</u>	<u>27</u>
Net increase (decrease) in cash and cash equivalents	15,706	-	15,706
Cash and cash equivalents - beginning	11,896	-	11,896
Cash and cash equivalents - ending	<u>\$ 27,602</u>	<u>\$ -</u>	<u>\$ 27,602</u>
Reconciliation of Net Income (Loss) to Net Cash			
Provided (Used) by Operating Activities			
Net income (loss)	\$ 24,517	\$ -	\$ 24,517
Adjustments to Reconcile Operating Income (Loss) to			
Net Cash Provided (Used) by Operating Activities			
Depreciation	6,335	-	6,335
Interest	(27)	-	(27)
Changes in assets and liabilities:			
Accounts receivable	(8,093)	-	(8,093)
Inventory	(1,199)	-	(1,199)
Accounts payable	446	-	446
Net Cash Provided by Operating Activities	<u>\$ 21,979</u>	<u>\$ -</u>	<u>\$ 21,979</u>

Noncash Activities

The District received nonmonetary assistance in the form of food commodities that had a fair market value of \$20,701 during the year ended June 30, 2014.

The accompanying notes are an integral part of these financial statements.

EMINENCE INDEPENDENT SCHOOL DISTRICT

Statement of Fiduciary Net Position

Activity Funds

June 30, 2014

ASSETS

Cash	\$ 93,028
Accounts receivable	<u>-</u>

Total Assets	<u>\$ 93,028</u>
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LIABILITIES

Accounts payable	<u>\$ -</u>
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Total Liabilities	<u><u>\$ -</u></u>
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NET POSITION

Held for student activities	<u>\$ 93,028</u>
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Total Net Position	<u><u>\$ 93,028</u></u>
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The accompanying notes are an integral part of these financial statements.

EMINENCE INDEPENDENT SCHOOL DISTRICT

Notes to Financial Statements

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of Eminence Independent School District have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) applicable to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

A. Reporting Entity

The Eminence Independent School District (Board), a five member group, is the level of government which has oversight responsibilities over all activities related to public elementary and secondary school education within the jurisdiction of the Eminence Independent School District (District). The Board is elected by the public and has the exclusive power and duty to govern and oversee the management of the public schools in the district. The District receives funding from local, state and federal government sources and must comply with the commitment requirements of these funding source entities. However, the Board is not included in any other governmental "reporting entity" as defined in Section 2100 of the Codification of Governmental Accounting and Financial Reporting Standards.

B. Related Organizations

The Board, for financial purposes, includes all of the funds and account groups relevant to the operation of the Eminence Independent School District. The financial statements presented herein do not include funds of groups and organizations, which although associated with the school system, have not originated within the Board itself such as Band Boosters, Parent-Teacher Associations, etc.

The financial statements of the Board include those of separately administered organizations that are controlled by or dependent on the Board. Control or dependence is determined on the basis of budget adoption, funding and appointment of the respective governing board.

Based on the foregoing criteria, the financial statements of the following organization are included in the accompanying financial statements:

EMINENCE INDEPENDENT SCHOOL DISTRICT

Notes to Financial Statements (Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Related Organizations (Continued)

Eminence Independent School District Finance Corporation - The Eminence, Kentucky, Board of Education resolved to authorize the establishment of the Eminence Independent School District Finance Corporation (a non-profit, non-stock, public and charitable corporation organized under the School Bond Act and KRS 273 and KRS Section 58.180) as an agency of the Board for financing the costs of school building facilities. The Board Members of the Eminence Independent School District also comprise the Corporation's Board of Directors.

C. Basis of Presentation, Basis of Accounting

i. Basis of Presentation

Government-wide Statements: The statement of net position and the statement of activities include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double-counting of internal activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions.

The statement of activities presents a comparison between direct expenses and program revenues for each function of the District's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. The District does not allocate indirect expenses in the statement of activities. Program revenues include (a) fees, fines, and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements: The fund financial statements provide information about the District's funds, with separate statements presented for each fund category. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds.

EMINENCE INDEPENDENT SCHOOL DISTRICT

Notes to Financial Statements (Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basis of Presentation, Basis of Accounting (Continued)

i. Basis of Presentation (Continued)

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as subsidies and investment earnings, result from nonexchange transactions or ancillary activities.

The District reports the following major governmental funds:

The General Fund is the primary operating fund of the District. It accounts for financial resources used for general types of operations. This is a budgeted fund, and any unrestricted fund balances are considered as resources available for use.

The Special Revenue Fund accounts for proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to disbursements for specified purposes. It includes federal financial programs where unused balances are returned to the grantor at the close of specified project periods as well as the state grant programs. Project accounting is employed to maintain integrity for the various sources of funds.

The Construction Fund including Capital Projects Funds accounts for proceeds from sales of bonds and other revenues to be used for authorized construction.

The District reports the following major business-type funds:

The School Food Service Fund is used to account for school food service activities, including the National School Lunch Program, which is conducted in cooperation with the U. S. Department of Agriculture ("USDA").

EMINENCE INDEPENDENT SCHOOL DISTRICT
Notes to Financial Statements (Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basis of Presentation, Basis of Accounting (Continued)

i. Basis of Presentation (Continued)

In addition, the District reports the following fund types:

Trust and Agency Funds: These funds are used to report student activity funds and other resources held in a purely custodial capacity (assets equal liabilities). Agency funds typically involve only the receipt, temporary investment, and remittance of fiduciary resources to individuals, private organizations, or other governments.

Private-Purpose Trust Funds: These funds are used to report trust arrangements under which the principal and income benefit individuals, private organizations or other governments.

ii. Measurement Focus, Basis of Accounting

Government-wide and Proprietary Fund Financial Statements: These financial statements are reported using the economic resources measurement focus. The government-wide and proprietary fund financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the District gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

EMINENCE INDEPENDENT SCHOOL DISTRICT
Notes to Financial Statements (Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basis of Presentation, Basis of Accounting (Continued)

ii. Measurement Focus, Basis of Accounting (Continued)

Governmental Fund Financial Statements: Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The District does not consider revenues collected after its year-end to be available in the current period. Revenues from local sources consist primarily of property taxes. Property tax revenues and revenues received from the State are recognized under the susceptible-to-accrual concept. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned, since they are both measurable and available. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

When the district incurs an expenditure or expense for which both restricted and unrestricted resources may be used, it is the District's policy to use restricted resources first, then unrestricted resources.

The District's financial statements are prepared in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989 (when applicable) that do not conflict with or contradict GASB pronouncements.

EMINENCE INDEPENDENT SCHOOL DISTRICT
Notes to Financial Statements (Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Encumbrance Accounting

Purchase orders or contracts document encumbrances for goods or purchased services. Under Kentucky law, appropriations lapse at June 30, and encumbrances outstanding at that time are to be either canceled or appropriately provided for in the subsequent year's budget.

E. Financial Statement Amounts

i. Cash and Cash Equivalents

For purposes of the statement of cash flows, the Board considers demand deposits, money market funds, and other investments with an original maturity of 90 days or less, to be cash equivalents.

ii. Inventories

Supplies and materials are charged to expenditures when purchased with the exception of the Proprietary Funds, which records inventory using the accrual basis of accounting.

iii. Property Taxes

Property taxes are levied each September on the assessed value listed as of the prior January 1 for all real and business personal property. Taxes are due on receipt of the tax bill; however, the actual date is based on a period ending 30 days after the tax bill mailing. Property taxes collected are recorded as revenues in the fiscal year for which they were levied. All taxes collected are initially deposited into the General Fund and then transferred to the appropriate fund.

The property tax rates assessed for the year ended December 31, 2013, to finance the General Fund operations were \$.738 per \$100 valuation for real property, \$.738 per valuation for personal property and \$.626 per \$100 valuation for motor vehicles. The assessed value upon which the levy for the 2013 fiscal year was based was \$144,080,004.

EMINENCE INDEPENDENT SCHOOL DISTRICT
Notes to Financial Statements (Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Financial Statements Amounts (Continued)

iv. Capital Assets

The District's property, plant and equipment with useful lives of more than one year are stated at historical cost and comprehensively reported in the government-wide financial statements. Donated assets are stated at fair value on the date donated. The District maintains a capitalization threshold of one thousand dollars (\$1,000) with the exception of computers, digital cameras and real property for which there is no threshold. The costs of normal maintenance and repairs that do not add to the asset value or materially extend useful lives are not capitalized. Capital assets are depreciated using the straight-line method. When capital assets are disposed, the cost and applicable depreciation are removed from the respective accounts, and the resulting gain or loss is recorded in operations.

Estimated useful lives, in years, for depreciable assets are as follows:

Land Improvements	20
Buildings and improvements	25 - 50
Technology Equipment	5
General Equipment	10

The District does not possess any infrastructure.

v. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect reported amounts of assets, liabilities, designated fund balances, and disclosure of contingent assets and liabilities at the date of the general purpose financial statements, and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

EMINENCE INDEPENDENT SCHOOL DISTRICT

Notes to Financial Statements (Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Financial Statements Amounts (Continued)

vi. Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as “interfund receivables/payables”. These amounts are eliminated in the governmental and business-type activities columns of the statements of net position, except for the residual amounts due between governmental and business-type activities, which are presented as internal balances.

F. Budgetary Process

Budgetary Basis of Accounting: The District’s budgetary process accounts for certain transactions on a basis other than GAAP. The major differences between the budgetary basis and the GAAP basis are:

Revenues are recorded when received in cash (budgetary) as opposed to when susceptible to accrual (GAAP),

Expenditures are recorded when paid in cash (budgetary) as opposed to when susceptible to accrual (GAAP).

Once the budget is approved, it can be amended. Amendments are presented to the Board at their regular meetings. Amendments are reflected in the official minutes of the Board, and are not made after fiscal year-end as directed by law.

Each budget is prepared and controlled by the budget coordinator at the revenue and expenditure function/object level. All budget appropriations lapse at year-end.

EMINENCE INDEPENDENT SCHOOL DISTRICT

Notes to Financial Statements (Continued)

NOTE 2. COMPLIANCE AND ACCOUNTABILITY

A. Deposits and Investments

The District's funds are required to be deposited and invested under the terms of a depository contract. The depository bank deposits for safekeeping and trust with the District's agent bank approved pledged securities in an amount sufficient to protect District funds on a day-to-day basis during the period of contract. The pledge of approved securities is waived only to the extent of the depository bank's dollar amount of Federal Deposit Insurance Corporation ("FDIC") insurance.

Cash Deposits:

At June 30, 2014, the carrying amount of the District's deposits (cash, certificates of deposit, and interest-bearing savings accounts included in temporary investments) was \$1,584,333 and the bank balance was \$1,639,023. The District's cash deposits at June 30, 2014, and during the year ended June 30, 2014, were entirely covered by FDIC insurance or by pledged collateral held by the District's agent bank.

The cash deposits held at financial institutions can be categorized according to three levels of risk. These three levels of risk are as follows:

Category 1 – Cash and cash equivalents that are insured or registered or securities held by the school district or by its agent in the school district's name.

Category 2 – Cash and cash equivalents and investments that are uninsured or unregistered, with securities held by the counterparty's trust department or agent in the school district's name.

Category 3 – Cash and cash equivalents and investments that are uninsured and unregistered with securities held by the counterparty or its trust department or agent but not in the school district's name.

EMINENCE INDEPENDENT SCHOOL DISTRICT
Notes to Financial Statements (Continued)

NOTE 2. COMPLIANCE AND ACCOUNTABILITY (Continued)

B. Deposits and Investments (Continued)

Cash Deposits (Continued):

The school district's deposits and investments at June 30, 2014, are categorized as follows.

	Carrying Amount/ <u>Market Value</u>	Bank <u>Balance</u>	<u>Category</u>		
			<u>1</u>	<u>2</u>	<u>3</u>
Demand Deposits:					
General checking	\$ 1,584,333	\$ 1,639,023	\$ 250,000	\$ -0-	\$ 1,389,023

In order to facilitate the recording of cash transactions and to maximize earnings, the District has combined the cash resources of certain of its funds and maintains accountability for such funds' equity in the pooled cash. The District is allowed to invest in the following types of investments: short-term certificates of deposit, repurchase agreements, money market deposit accounts, government pools, and U. S. Treasury Obligations. The District records nonparticipating interest-earning investment contracts at cost. All other securities are recorded at fair value. It is the intention of the investment pool to maximize interest income, and securities are selected according to their risk, marketability, and diversification. Income earned or losses arising from the investment of pooled cash balances are allocated to individual funds based on their proportional equity in investments purchased. For purposes of the statements of cash flows, the District considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

EMINENCE INDEPENDENT SCHOOL DISTRICT

Notes to Financial Statements (Continued)

NOTE 3. CAPITAL ASSETS

Capital asset balances and activity for the year ended June 30, 2014 were as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements Reclassifications</u>	<u>Ending Balance</u>
Governmental activities:				
Capital assets that are not depreciated:				
Land	\$ 176,017	\$ -	\$ -	\$ 176,017
Construction in progress	789,040	-	(789,040)	-
Total nondepreciable historical cost	<u>965,057</u>	<u>-</u>	<u>(789,040)</u>	<u>176,017</u>
Capital assets that are depreciated:				
Land improvements	352,643	-	-	352,643
Building and building improvements	5,210,468	1,056,887	-	6,267,355
Technology equipment	829,711	412,752	(89,373)	1,153,090
Vehicles	368,416	112,540	-	480,956
General equipment	236,518	13,205	-	249,723
Total depreciable historical cost	<u>6,997,756</u>	<u>1,595,384</u>	<u>(89,373)</u>	<u>8,503,767</u>
Less accumulated depreciation for:				
Land improvements	265,825	10,680	-	276,505
Building and building improvements	1,699,729	129,108	-	1,828,837
Technology equipment	484,515	161,721	(87,708)	558,528
Vehicles	311,452	10,639	-	322,091
General equipment	127,745	19,016	-	146,761
Total accumulated depreciation	<u>2,889,266</u>	<u>331,164</u>	<u>(87,708)</u>	<u>3,132,722</u>
Total depreciable historical cost, net	<u>4,108,490</u>	<u>1,264,220</u>	<u>(1,665)</u>	<u>5,371,045</u>
Governmental activities capital assets, net	<u>\$ 5,073,547</u>	<u>\$ 1,264,220</u>	<u>\$ (790,705)</u>	<u>\$ 5,547,062</u>
Business-type activities:				
Technology equipment	\$ 7,528	\$ -	\$ (2,724)	\$ 4,804
General equipment	87,056	6,301	-	93,357
Total depreciable historical cost	<u>94,584</u>	<u>6,301</u>	<u>(2,724)</u>	<u>98,161</u>
Less accumulated depreciation for:				
Technology equipment	6,155	534	(2,724)	3,965
General equipment	36,900	5,801	-	42,701
Total accumulated depreciation	<u>43,055</u>	<u>6,335</u>	<u>(2,724)</u>	<u>46,666</u>
Business-type activities capital assets, net	<u>\$ 51,529</u>	<u>\$ (34)</u>	<u>\$ -</u>	<u>\$ 51,495</u>
Depreciation expense was charged to governmental functions as follows:				
Instruction	\$	173,524		
Student support services		17,822		
Instructional staff support services		12,628		
District administrative support		12,993		
School administrative support		3,023		
Business support services		607		
Plant operation and management		99,726		
Student transportation		10,639		
Community service		174		
Food service operation		6,335		
		<u>\$ 337,471</u>		

EMINENCE INDEPENDENT SCHOOL DISTRICT
Notes to Financial Statements (Continued)

NOTE 4. BONDED DEBT AND LEASE OBLIGATIONS

The amount shown in the accompanying financial statements as lease obligations represents the District's future obligations to make lease payments relating to the bonds issued by the Eminence Independent School District Finance Corporation (Corporation) aggregating \$3,537,684.

The original amount of the issue, issue dates and the interest rates of the bond issues are summarized below:

<u>ISSUE OF</u>	<u>ORIGINAL AMOUNT</u>	<u>INTEREST RATES</u>
2005 Refunding	\$ 980,000	2.25% to 4.0%
2007 Refunding	815,000	3.4% to 3.9%
2009 KISTA	87,637	2.0% to 3.6 %
2010 Series	300,000	3.25% to 4.125%
2010 Series B	420,000	2.25% to 4.0%
2012 Series	820,000	2.0%
2014 KISTA	115,047	2.0% to 3.0%

The District, through the General Fund, (including the SEEK Capital Outlay Fund and Building Fund) is obligated to make lease payments in amounts sufficient to satisfy debt service requirements. The District has an option to purchase the property under lease at any time by retiring the bonds then outstanding.

The District has entered into "participation agreements" with the Kentucky School Facility Construction Commission. The Commission was created by the Kentucky Legislature for the purpose of assisting local school districts in meeting school construction needs. The table below sets forth the amount to be paid by the District and the Commission for each year until maturity of all bond issues.

The bonds may be called prior to maturity and redemption premiums are specified in each issue. Assuming no bonds are called prior to scheduled maturity, the minimum obligations of the District, including amounts to be paid by the Commission, at June 30, 2014 for debt service (principal and interest) are as follows:

EMINENCE INDEPENDENT SCHOOL DISTRICT

Notes to Financial Statements (Continued)

NOTE 4. BONDED DEBT AND LEASE OBLIGATIONS (Continued)

EMINENCE INDEPENDENT SCHOOL DISTRICT			SCHOOL FACILITIES CONSTRUCTION COMMISSION		TOTAL	
YEAR	PRINCIPAL	INTEREST	TOTAL	PRINCIPAL	INTEREST	COMBINED
2015	122,667	27,381	150,048	102,333	46,284	298,665
2016	191,271	22,965	214,236	108,729	43,471	366,436
2017	92,239	15,925	108,164	107,761	40,419	256,344
2018	90,805	12,442	103,247	109,195	37,319	249,761
2019	94,297	8,972	103,269	110,703	34,082	248,054
2020	90,214	5,328	95,542	104,786	30,718	231,046
2021	10,000	1,760	11,760	75,000	27,689	114,449
2022	10,000	1,320	11,320	75,000	25,690	112,010
2023	10,000	880	10,880	75,000	23,581	109,461
2024	10,000	440	10,440	75,000	21,363	106,803
2025	-	-	-	80,000	19,044	99,044
2026	-	-	-	90,000	16,575	106,575
2027	-	-	-	90,000	13,850	103,850
2028	-	-	-	90,000	11,125	101,125
2029	-	-	-	90,000	8,400	98,400
2030	-	-	-	95,000	5,575	100,575
2031	-	-	-	70,000	2,750	72,750
2032	-	-	-	50,000	1,300	51,300
2033	-	-	-	40,000	400	40,400
	<u>\$ 721,493</u>	<u>\$ 97,413</u>	<u>\$ 818,906</u>	<u>\$ 1,638,507</u>	<u>\$ 409,635</u>	<u>\$ 2,867,048</u>

Bonded debt balances and activity for the year ended June 30, 2014, were as follows:

	BEGINNING BALANCE	ADDITIONS	PAYMENTS	ENDING BALANCE
Governmental Activities:				
Eminence Independent School District				
Bonds	\$ 875,478	\$ -	\$ (113,985)	\$ 761,493
KISTA	60,657	115,047	(8,399)	167,305
School Construction Commission	<u>1,739,522</u>	<u>-</u>	<u>(99,818)</u>	<u>1,639,704</u>
Total Bonded Debt	<u>\$ 2,675,657</u>	<u>\$ 115,047</u>	<u>\$ (222,202)</u>	<u>\$ 2,568,502</u>

On-behalf payments received by the District through the Kentucky School Facilities Construction Commission (KSFCC) for the year ended June 30, 2014 are as follows:

Principal	\$ 99,818
Interest	<u>49,629</u>
Total	<u>\$ 149,447</u>

EMINENCE INDEPENDENT SCHOOL DISTRICT

Notes to Financial Statements (Continued)

NOTE 5. CAPITAL LEASE PAYABLE

The District entered into a technology lease with Apple, Inc. dated November 11, 2013 to lease 344 13" MacBook Pros. The lease is a 48 month lease with an interest rate of 2.97%. The principal amount of the lease is \$343,656. The lease is payable in four (4) annual installments of \$89,722 due November 1 each year starting in 2014 including principal and interest.

NOTE 6. ACCUMULATED UNPAID SICK LEAVE BENEFITS

Upon retirement from the school system, an employee will receive from the District an amount equal to 30% of the value of accumulated sick leave.

Sick leave benefits are accrued as a liability using the vesting method. An accrual for earned sick leave is made to the extent that it is probable that the benefits will result in termination payments. The liability is based on the School District's past experience of making termination payments.

The entire compensated absence liability is reported on the government-wide financial statements.

For governmental fund financial statements the current portion of unpaid accrued sick leave is the amount expected to be paid using expendable available resources. These amounts are recorded in the amount "accumulated sick leave payable" in the general fund. The noncurrent portion of the liability is not reported.

NOTE 7. PENSION PLAN

The Kentucky Local School District contributes to the Teachers' Retirement System of Kentucky (KTRS), a cost-sharing, multiple employer defined benefit pension plan. KTRS administers retirement and disability annuities, and death and survivor benefits to employees and beneficiaries of employees of the public school systems and other public educational agencies in Kentucky. KTRS requires that members of KTRS occupy a position requiring either a four (4) year college degree or certification by KY Department of Education (KDE).

KTRS was created by the 1938 General Assembly and is governed by Chapter 161 Section 220 through Chapter 161 Section 990 of the Kentucky Revised Statutes (KRS). KTRS issues a publicly available financial report that includes financial statements and required supplementary information for the defined benefit pension plan. That report can be obtained by writing to Kentucky Teachers' Retirement System, 479 Versailles Road, Frankfort KY 40601 or from the KTRS web site at <http://ktrs.ky.gov/>.

EMINENCE INDEPENDENT SCHOOL DISTRICT

Notes to Financial Statements (Continued)

NOTE 6. PENSION PLAN (Continued)

Funding Policy – Contribution rates are established by KRS. Members are required to contribute 10.855% of their salaries to KTRS. The Commonwealth of Kentucky is required to contribute 14.105% of salaries.

Medical Insurance Plan

Plan description – In addition to the pension benefits described above, Kentucky Revised Statute 161.675 requires to KTRS to provide post-retirement benefits to eligible members and dependents. The KTRS Medical Insurance benefit is a cost-sharing multiple employer defined benefit plan. Changes made to the medical plan may be made by the KTRS Board of Trustees, the Kentucky Department of Employee Insurance and the General Assembly.

To be eligible for medical benefits, the member must have retired either for service or disability. The KTRS Medical Insurance Fund offers coverage to members under the age of 65 through the Kentucky Employees Health Plan administered by the Kentucky Department of Employee Insurance. Once retired members and eligible spouses attain age 65 and are Medicare eligible, coverage is obtained through the KTRS Medicare Eligible Health Plan.

Funding policy – The post-retirement healthcare provided by KTRS is financed on a pay-as-you-go basis. In order to fund the post-retirement healthcare benefit, one and five tenths percent (1.5%) of the gross annual payroll of all active members is contributed. One-half (1/2) of this amount is derived from member contributions and one-half (1/2) from state appropriation. Also, the premiums collected from retirees as described in the plan description and investment interest help with the medical expenses of the plan.

The Eminence Independent School District's total payroll for the year was \$3,461,582. The payroll for employees covered under KTRS was \$2,616,037. The contributions to KTRS for the year ended June 30, 2014, consisted of \$58,133 from employees and \$331,778 from the state for the benefit of our participating employees. The District had no federal program match which would require contributions to KTRS for the year ended June 30, 2014.

EMINENCE INDEPENDENT SCHOOL DISTRICT

Notes to Financial Statements (Continued)

NOTE 7. COMMITMENTS AND CONTINGENCIES

The District receives funding from Federal, State and Local government agencies and private contributions. These funds are to be used for designated purposes only. For government agency grants, if based on the grantor's review the funds are considered not to have been used for the intended purpose, the grantors may request a refund of monies advanced, or refuse to reimburse the District for its disbursements. The amount of such future refunds and unreimbursed disbursements, if any, is not expected to be significant. Continuation of the District's grant programs is predicated upon the grantors' satisfaction that the funds provided are being spent as intended and the grantor's intent to continue their programs.

NOTE 8. INSURANCE AND RELATED ACTIVITIES

The District is exposed to various forms of loss of assets associated with the risks of fire, personal liability, theft, vehicular accidents, errors and omissions, fiduciary responsibilities, etc. Each of these risk areas is covered through the purchase of commercial insurance. The District has purchased certain policies which are retrospectively rated which included Worker's compensation insurance.

NOTE 9. INTERFUND TRANSFERS

Interfund transfer activity for the year ended June 30, 2014, is as follows:

<u>TYPE</u>	<u>FROM FUND</u>	<u>TO FUND</u>	<u>PURPOSE</u>	<u>AMOUNT</u>
Operating	General	Special Revenue	KETS Matching	\$ 9,827
Operating	Building	Debt Service	Bond Payment	95,343
Operating	Capital Outlay	Debt Service	Bond Payment	35,419
Operating	Building	General	Construction	284,992

EMINENCE INDEPENDENT SCHOOL DISTRICT

Notes to Financial Statements (Continued)

NOTE 10. RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. To obtain insurance for workers' compensation, errors and omissions, and general liability coverage, the District participates in the Kentucky School Boards Insurance Trust Liability Insurance Fund. These public entity risk pools operate as common risk management and insurance programs for all school districts and other tax supported educational agencies of Kentucky who are members of the Kentucky School Boards Association. The district pays an annual premium to each fund for coverage. Contributions to the Workers' Compensation Fund are based on premium rates established by such fund in conjunction with the excess insurance carrier, subject to claims experienced modifications and a group discount amount. Dividends may be declared, but are not payable until twenty-four (24) months after the expiration of the self-insurance term. The Liability Insurance fund pays insurance premiums of the participating members established by the insurance carrier. The Trust can terminate coverage if it is unable to obtain acceptable excess general liability coverage and for any reason by giving ninety (90) days notice. In the event the Trust terminated coverage, any amount remaining in the Fund (after payment of operational and administrative costs and claims for which coverage was provided) would be returned to the member on a pro rata basis.

NOTE 11. COBRA

Under COBRA, employers are mandated to notify terminated employees of available continuing insurance coverage. Failure to comply with this requirement may put the school district at risk for a substantial loss (contingency).

NOTE 12. ON-BEHALF PAYMENTS

For the year ended June 30, 2014, total payments of \$941,143 were made for life insurance, health insurance, KTRS matching and administrative fees and technology costs by the Commonwealth of Kentucky on behalf of the District. These payments were recognized as on-behalf payments and recorded in the appropriate revenue and expense accounts on the statement of activities. On behalf payments are not budgeted items.

EMINENCE INDEPENDENT SCHOOL DISTRICT
Notes to Financial Statements (Continued)

NOTE 12. ON-BEHALF PAYMENTS (continued)

On-behalf payments for the year ended June 30, 2014 consisted of the following:

Health insurance	\$ 626,959
KTRS	328,018
Administrative fee	6,185
Life insurance	1,305
Technology costs	<u>34,509</u>
Total	<u>\$ 996,976</u>

The breakdown of on-behalf payments by fund is as follows:

General Fund	\$ 949,392
School Food Service	\$ 47,584

NOTE 13. KSBIT ASSESSMENT

The District participated in a self-insurance program until June 30, 2013 with the Kentucky School Board Insurance Trust (KSBIT) that covered workers compensation, property and liability claims. KSBIT announced the dissolution of the trust, and that the trust, over a long period of time, had accumulated a deficit. The Kentucky Department of Insurance took control of KSBIT's insurance programs and has worked since to eliminate the deficit by assessing KSBIT's past participants with their share of the deficit.

The assessments are based on a formula that considers past claims, premiums, and the number of years the districts participated in the KSBIT insurance program. The assessments include school districts and other education-related entities that were in the workers' compensation fund from 1990 to 2013, and those in the property and liability fund from 2007 to 2013.

The District was notified in June 2014 that their share of the assessment was \$78,053. The District elected to pay this amount in installments over the next six years. The total amount of the assessment is reflected in the entity-wide financial statements but not in the fund financial statements.

EMINENCE INDEPENDENT SCHOOL DISTRICT
Notes to Financial Statements (Continued)

NOTE 14. PRIOR PERIOD ADJUSTMENTS

Governmental Activities

Prior period adjustments in government-wide financial statements under governmental activities include the correction of two errors in previously issued financial statements.

The District issued a Series 2012 Bonds during the year ended June 30, 2013. The first payment on these bonds in the amount of \$40,000, due in November of 2013, was incorrectly recorded as a payment in the financial statements for the year ended June 30, 2013.

The beginning net position as of June 30, 2012 differed from the District's beginning balance on its Annual Financial Report by \$6,786.

S U P P L E M E N T A R Y

I N F O R M A T I O N

EMINENCE INDEPENDENT SCHOOL DISTRICT

Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2014

	SEEK CAPITAL OUTLAY FUND	FSPK FUND	CONSTRUCTION FUND	DEBT SERVICE FUND	TOTAL NONMAJOR GOVERNMENTAL FUNDS
ASSETS					
Cash and cash equivalents	\$ 31,045	\$ 98,117	\$ -	\$ -	\$ 129,162
Accounts receivable					
Taxes - current	-	-	-	-	-
Due from other funds	-	-	-	-	-
TOTAL ASSETS AND RESOURCES	<u>\$ 31,045</u>	<u>\$ 98,117</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 129,162</u>
LIABILITIES AND FUND BALANCE					
LIABILITIES					
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -
Accrued payroll and related expenses	-	-	-	-	-
Due to other funds	-	-	-	-	-
TOTAL LIABILITIES	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES					
Unassigned	-	-	-	-	-
Restricted	31,045	98,117	-	-	129,162
TOTAL FUND BALANCES	<u>31,045</u>	<u>98,117</u>	<u>-</u>	<u>-</u>	<u>129,162</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 31,045</u>	<u>\$ 98,117</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 129,162</u>

See independent auditors' report.

EMINENCE INDEPENDENT SCHOOL DISTRICT

Combining Statement of Revenues, Expenditures
And Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2014

	SEEK CAPITAL OUTLAY FUND	FSPK FUND	CONSTRUCTION FUND	DEBT SERVICE FUND	TOTAL NONMAJOR GOVERNMENTAL FUNDS
REVENUES					
From local sources:					
Taxes:					
Property	\$ -	\$ 158,114	\$ -	\$ -	\$ 158,114
Motor vehicle	-	-	-	-	-
Occupational	-	-	-	-	-
Earnings on investments	-	-	-	-	-
Intergovernmental - State	66,464	161,875	-	149,446	377,785
Intergovernmental - Indirect Federal	-	-	-	-	-
	<u>66,464</u>	<u>319,989</u>	<u>-</u>	<u>149,446</u>	<u>535,899</u>
TOTAL REVENUES					
EXPENDITURES					
Current:					
Debt service	-	-	-	280,208	280,208
Facilities acquisition and construction	-	-	8,866	-	8,866
Other	-	-	-	-	-
	<u>-</u>	<u>-</u>	<u>8,866</u>	<u>280,208</u>	<u>289,074</u>
TOTAL EXPENDITURES					
EXCESS OF REVENUE OVER EXPENDITURES	<u>66,464</u>	<u>319,989</u>	<u>(8,866)</u>	<u>(130,762)</u>	<u>246,825</u>
OTHER FINANCING SOURCES (USES)					
Operating transfers in	-	-	-	130,762	130,762
Operating transfers out	(35,419)	(380,335)	-	-	(415,754)
	<u>(35,419)</u>	<u>(380,335)</u>	<u>-</u>	<u>130,762</u>	<u>(284,992)</u>
TOTAL OTHER FINANCING SOURCES (USES)					
EXCESS OF REVENUE AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	31,045	(60,346)	(8,866)	-	(38,167)
FUND BALANCE, JULY 1, 2013	<u>-</u>	<u>158,463</u>	<u>8,866</u>	<u>-</u>	<u>167,329</u>
FUND BALANCE, JUNE 30, 2014	<u>\$ 31,045</u>	<u>\$ 98,117</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 129,162</u>

See independent auditors' report.

EMINENCE COUNTY SCHOOL DISTRICT

Schedule of Expenditures of Federal Awards

For the Year Ended June 30, 2014

FEDERAL GRANTOR/ PASS-THRU GRANTOR/PROGRAM CLUSTER <u>PROGRAM TITLE</u>	PASS THROUGH <u>NUMBER</u>	FEDERAL CFDA <u>NUMBER</u>	DISBURSEMENTS/ <u>EXPENDITURES</u>
<u>U.S. DEPARTMENT OF EDUCATION</u>			
Passed through State Department of Education			
Title I	3103	84.010	62,655
Title I	3104	84.010	90,000
Title I - School Improvement	3202	84.010A	6,289
<i>Special Education Cluster</i>			
IDEA Part B	3373	84.027	5,072
IDEA Part B	3374	84.027	121,359
IDEA Part B Preschool	3430	84.173A	2,914
IDEA Part B Private School	3372P	84.027	1,980
Title I - Part C	3484	84.048	7,256
Title II - Teacher Quality	4014	84.367	30,564
Homeless Children & Youth	3163	84.196	11,804
Homeless Children & Youth	3164	84.196	33,361
Rural and Low Income	3504	84.358B	8,821
21st Century Community Learning Centers	5502	84.287	41,411
21st Century Community Learning Centers	5502J	84.287	668
21st Century Community Learning Centers	5503	84.287	45,344
21st Century Community Learning Centers	5503S	84.287	1,737
21st Century Community Learning Centers	5503U	84.287	8,815
Total Department of Education			<u>480,050</u>
<u>U.S. DEPARTMENT OF AGRICULTURE</u>			
Passed through State Department of Education			
<i>Child Nutrition Cluster</i>			
National School Lunch Program	7750002	10.555	177,253
Nat'l School Breakfast Program	7760005	10.553	63,936
Summer Meal Program	7690024	10.559	615
Summer Meal Program	7740023	10.559	6,533
Total Department of Agriculture			<u>248,337</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 728,387</u>

See independent auditors' report.

EMINENCE INDEPENDENT SCHOOL DISTRICT
Notes to the Schedule of Expenditures of Federal Awards
June 30, 2014

NOTE A. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Eminence Independent School District is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

NOTE B. FOOD DONATION

The District received nonmonetary assistance in the form of commodities. The amount of commodities disbursed for the year ended June 30, 2014 was \$17,044. The amount of commodities disbursed was not reported in the Schedule of Federal Expenditures.

EMINENCE INDEPENDENT SCHOOL DISTRICT

Schedule of Findings and Questioned Costs For the Year Ended June 30, 2014

Section I – Summary of Auditor's Results

Financial Statements

Type of auditor's report issued : unmodified

Current Year Findings:

Internal control over financial reporting:

- Material weakness(es) identified? ☐yes ☒no
- Significant deficiency(ies) identified that are not considered to be material weaknesses? ☐yes ☒None Reported
- Noncompliance material to financial statements noted? ☐yes ☒no

Federal Awards

Current Year Findings:

Internal control over major programs:

- Material weakness(es) identified: ☐yes ☒no
- Significant deficiency(ies) identified that are not considered to be material weakness(es)? ☐yes ☒None Reported
- Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133? ☐yes ☒no

Type of auditor's report issued on compliance for major programs: unmodified

Identification of major programs.

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
10.555	Child Nutrition Cluster – National School Lunch Program
84.010	Title I

Dollar threshold used to distinguish between type A and type B programs: \$ 300,000

Auditee qualified as low-risk auditee: ☒yes ☐no

Summary Schedule of Prior Year Findings

There were no findings reported in the prior year for either the financial statements or major programs..



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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

State Committee for School District Audits
Members of the Board of Education of
Eminence Independent School District

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Governmental Auditing Standards*, issued by the Comptroller General of the United States and the audit requirements prescribed by the Kentucky State Committee for School District Audits in *Appendix I to the Independent Auditor's Contract – General Requirements* and *Appendix II to the Independent Auditor's Contract – State Audit Requirements*, the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Eminence Independent School District as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated November 13, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose or expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Eminence Independent School District's internal control. Accordingly, we do not express an opinion on the effectiveness of the Eminence Independent School District's internal control.

State Committee for School Districts
Members of the Board of Education of
Eminence Independent School District

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Eminence Independent School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The result of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. Other matters relating to internal controls and operating efficiency that are less than material but warrant the attention of those charged with governance were communicated in our Management Letter Comments.

In addition, the results of our tests disclosed no material instances of noncompliance of specific state statutes or regulations identified in *Appendix II of the Independent Auditor's Contract – State Requirements*.

State Committee for School District Audits
Members of the Board of Education of
Eminence Independent School District

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Amick & Company

Louisville, Kentucky
November 13, 2014



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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS
THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN
ACCORDANCE WITH OMB CIRCULAR A-133

State Committee for School District Audits
Members of the Board of Education of
Eminence Independent School District

Report on Compliance for Each Major Program

We have audited Eminence Independent School District's compliance requirements described in *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Eminence Independent School District's major federal programs for the year ended June 30, 2014. Eminence Independent School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Eminence Independent School District's management. Our responsibility is to express an opinion on Eminence Independent School District's compliance based on our audit.

Auditors' Responsibility

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Eminence Independent School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Eminence Independent School District's compliance with those requirements.

State Committee for School District Audits
Members of the Board of Education of
Eminence Independent School District

Opinion on Each Major Federal Program

In our opinion, Eminence Independent School District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2014.

Report on Internal Control Over Compliance

Management of Eminence Independent School District, Kentucky is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Eminence Independent School District, Kentucky's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Eminence Independent School District, Kentucky's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance; such that there is reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Amick & Company

Louisville, Kentucky
November 13, 2014



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State Committee for School District Audits
Members of the Board of Education of
Eminence Independent School District

In planning and performing our audit of the financial statements of Eminence Independent School District for the year ended June 30, 2014, we considered the District's internal control structure to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on the internal control structure.

The memorandum that accompanies this letter summarizes our comments and suggestions regarding internal controls and operating efficiency. A separate report dated November 13, 2014 contains our report on significant deficiencies and material weaknesses in the District's internal control structure. This letter does not affect our report dated November 13, 2014 on the financial statements of the Eminence Independent School District.

This report is intended solely for the information and use of the Board and management and is not intended to be and should not be used by anyone other than these specified parties.

We appreciate the opportunity to be of service to the Eminence Independent School District.

Amick & Company

Louisville, Kentucky
November 13, 2014

State Committee for School District Audits
Members of the Board of Education of
Eminence Independent School District

In planning and performing our audit of the financial statements of Eminence Independent School District for the year ended June 30, 2014, we considered the District's internal control structure to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on the internal control structure.

The memorandum that accompanies this letter summarizes our comments and suggestions regarding internal controls and operating efficiency. A separate report dated November 13, 2014 contains our report on significant deficiencies and material weaknesses in the District's internal control structure. This letter does not affect our report dated November 13, 2014 on the financial statements of the Eminence Independent School District.

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We appreciate the opportunity to be of service to the Eminence Independent School District.

Amick & Company

Louisville, Kentucky
November 13, 2014

EMINENCE INDEPENDENT SCHOOL DISTRICT

Management Letter Comments
For the Year Ended June 30, 2014

PRIOR YEAR RECOMMENDATIONS

We reviewed all recommendations made to the Board on the management letter that accompanied your previous audit report. All recommendations had been implemented and corrected. We sincerely commend the District in their efforts.

COMMENT 2014-1

CAPITALIZATION POLICY

Condition

The District's capitalization policy is \$1,000 for all assets.

Criteria

The KDE Capital Asset Guide has recommended capitalization thresholds for various asset categories.

Recommendation

We recommend the District review the KDE Capital Asset Guide and consider revising their capitalization policies.

Management's Response

Management will review its policies and make any revisions it deems appropriate.

**ADDITIONAL
INFORMATION**

EMINENCE INDEPENDENT SCHOOL DISTRICT

Combined Balance Sheet

School Activity Funds

June 30, 2014

	<u>Elementary</u>	<u>Middle</u>	<u>High</u>	<u>Total</u>
ASSETS				
Cash and cash equivalents	\$ 12,137	\$ 27,609	\$ 53,282	\$ 93,028
Accounts receivable	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
 TOTAL ASSETS	 <u>\$ 12,137</u>	 <u>\$ 27,609</u>	 <u>\$ 53,282</u>	 <u>\$ 93,028</u>
 LIABILITIES AND FUND BALANCE				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Fund balance	<u>12,137</u>	<u>27,609</u>	<u>53,282</u>	<u>93,028</u>
 TOTAL LIABILITIES AND FUND BALANCE	 <u>\$ 12,137</u>	 <u>\$ 27,609</u>	 <u>\$ 53,282</u>	 <u>\$ 93,028</u>

See independent auditors' report.

EMINENCE INDEPENDENT SCHOOL DISTRICT
Combined Statement of Revenue, Expenditures and Changes in Fund Balances
School Activity Funds
For the Year Ended June 30, 2014

	<u>Elementary</u>	<u>Middle</u>	<u>High</u>	<u>Total</u>
REVENUE				
School activities and projects	\$ 33,008	\$ 24,232	\$ 62,278	\$ 119,518
Athletic activities	<u>-</u>	<u>12,548</u>	<u>47,706</u>	<u>60,254</u>
TOTAL REVENUE	<u>33,008</u>	<u>36,780</u>	<u>109,984</u>	<u>156,547</u>
EXPENDITURES				
School activities and projects	33,368	25,801	57,557	116,726
Athletic activities	<u>-</u>	<u>11,013</u>	<u>59,704</u>	<u>70,717</u>
TOTAL EXPENDITURES	<u>33,368</u>	<u>36,814</u>	<u>117,261</u>	<u>173,588</u>
Excess (deficiency) of revenue over expenditures	(360)	(34)	(7,277)	(17,041)
FUND BALANCE - JULY 1, 2013	<u>12,498</u>	<u>27,643</u>	<u>60,559</u>	<u>104,040</u>
FUND BALANCE - JUNE 30, 2014	<u><u>\$ 12,138</u></u>	<u><u>\$ 27,609</u></u>	<u><u>\$ 53,282</u></u>	<u><u>\$ 86,999</u></u>

See independent auditors' report.

**SCHOOL
ACTIVITY
FUND**

EMINENCE INDEPENDENT BOARD OF EDUCATION
Statement of Receipts, Disbursements and Fund Balance
High School Activity Fund
For the Year Ended June 30, 2014

	Cash			Cash			Deposits
	Balance		Transfers &	Balance	Accts.	Accts.	Held In
	July 1	Transfers	Disburse-	June 30	Receivable	Payable	Custody for
	<u>2013</u>	<u>& Receipts</u>	<u>ments</u>	<u>2014</u>	<u>6/30/14</u>	<u>6/30/14</u>	<u>6/30/14</u>
General Fund	\$ 4,678	\$ 5,362	\$ 6,030	\$ 4,010	\$ -	\$ -	\$ 4,010
Fees	6,173	4,867	1,362	9,678	-	-	9,678
Scholarships	-	2,500	2,500	-	-	-	-
Education Funds	14	700	597	117	-	-	117
Faculty	152	-	-	152	-	-	152
Student Council	1	-	-	1	-	-	1
Sr. Drama Club	332	5,021	2,170	3,183	-	-	3,183
Sr. Beta Club	2,248	157	394	2,011	-	-	2,011
Pep Club	802	-	-	802	-	-	802
Agriculture Club	268	-	-	268	-	-	268
Academic Team	6	332	325	13	-	-	13
H/S Judy Lea	216	950	1,060	106	-	-	106
Band	401	625	263	763	-	-	763
Alumni Donation	300	-	133	166	-	-	166
Football Misc.	4,037	6,670	8,730	1,977	-	-	1,977
B Basketball Misc	9,439	14,628	20,502	3,565	-	-	3,565
G Basketball Misc	6,256	7,114	10,986	2,384	-	-	2,384
Cheerleading Misc	1,680	5,560	5,470	1,770	-	-	1,770
Baseball Misc	945	4,577	3,660	1,862	-	-	1,862
Softball Misc	0	4,120	3,293	827	-	-	827
Cross Country	549	40	73	516	-	-	516
Volleyball Misc	3,614	6,544	7,700	2,457	-	-	2,457
Archery Club	976	1,168	948	1,196	-	-	1,196
NCKAC	5,238	-	5,238	-	-	-	-
Seniors 01	1,929	16,259	16,532	1,656	-	-	1,656
Juniors 02	2,686	8,151	8,567	2,270	-	-	2,270
ophomores 03	1,231	323	1,400	154	-	-	154
Freshman 04	94	830	94	830	-	-	830
College On Line	38	42	42	38	-	-	38
Poster Marker	119	33	-	152	-	-	152
High School Book	290	-	176	115	-	-	115
Year Book	2,752	7,610	9,878	484	-	-	484
ACES	1,755	7,418	1,816	7,358	-	-	7,358
STEP Program	-	664	664	-	-	-	-
H/S STLP	78	1,450	1,523	5	-	-	5

See independent auditors report.

	Cash		Transfers &	Cash	Accts.	Accts.	Deposits
	Balance		Disburse-	Balance	Receivable	Payable	Held In
	July 1	Transfers	ments	June 30			Custody for
	<u>2013</u>	<u>& Receipts</u>	<u></u>	<u>2014</u>	<u>6/30/14</u>	<u>6/30/14</u>	<u>6/30/14</u>
Library Grant	\$ 143	\$ -	\$ 143	\$ -	\$ -	\$ -	\$ -
Art Club	188	1,062	552	698	-	-	698
Staff Donations	200	600	428	372	-	-	372
FEA	-	136	-	136	-	-	136
National Honor Society	-	457	128	329	-	-	329
Warrior Warehouse	-	834	355	479	-	-	479
The Green Club	706	-	706	-	-	-	-
Field Day H/S	24	871	798	97	-	-	97
Student Outreach	-	800	516	284	-	-	284
Totals	<u>\$ 60,559</u>	<u>\$ 118,474</u>	<u>\$ 125,751</u>	<u>\$ 53,282</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 53,282</u>

See independent auditors report.